
Licenses and Financial Considerations for Starting a Home Business

Contributed by Webmaster
Wednesday, 25 July 2007
Last Updated Wednesday, 25 July 2007

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I'm not a lawyer, and you will need to check the exact rules in your area, but there are a few basics I can tell you to check when you want to start a home business.

One of the first things you will need to consider is whether your home business will be a sole proprietorship, partnership or corporation. Most home businesses start as a sole proprietorship, as this is the easiest to set up. Setting up a corporation or LLC has certain tax advantages, but can be more complex than many people want to deal with right at the start.

You may need to get a DBA (Doing Business As) or FBN (Fictitious Business Name), especially if you are not using your real name in your business. Some areas may require one anyhow.

Your area may require that you publish your use of this name in a general circulation newspaper. This is very easy to do, and you will probably start receiving ads in the mail from companies that offer a section for these ads. You will have perhaps a month in which to do this, and your ad will need to run for more than one issue in many areas. Your county clerk can help you understand the rules in your area.

You may also need to get a business license. Some areas don't require this for home business, but others do. This may be required at either the state, county or city level.

How easy this is can depend on the zoning laws in your area. Some say you can run just about any home business, so long as you don't add to the traffic in the area or store too many supplies. Others make it much more difficult. These generally vary by city, but some states add requirements of their own.

In some cases you may need a resale permit. This is only if you are selling items subject to sales tax. You may be responsible for collecting sales tax in this case as well. However, if you're doing affiliate marketing or selling a service, you may not need a resale permit. When in doubt, check with your state.

You will need to pay taxes on your home business income. Running a home business means you need to handle this yourself. You are responsible for your income tax as well as self-employment taxes, which cover your Social Security and Medicare contributions. You will need to file Schedule C for your business, and Schedule SE for the self-employment taxes. Or you can use an online software that will help you with all that. Many people find online filing much simpler.

If you expect to owe more than \$1000 in taxes at the end of the year, you will need to file quarterly estimated taxes. These are due April 15, June 15, September 15 and January 15 each year.

Don't forget to visit the IRS website or to consult a tax professional when in doubt.

Stephanie Foster blogs at <http://www.aspectsofhomebusiness.com/blog/> about running a home business. Get more

perspectives on the legal issues of running a home business at her site.

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Home Business

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